

New Sections ____A, ____B, and ____C are added to SB 1908 as follows:

SECTION ____A. Section 23.012, Tax Code, is amended to read as follows:

§ 23.012. INCOME METHOD OF APPRAISAL. (a) If the income method of appraisal is the most appropriate method to use to determine the market value of real property, the chief appraiser shall:

(1) analyze comparable rental data available to the chief appraiser or the potential earnings capacity of the property, or both, to estimate the gross income potential of the property;

(2) analyze comparable operating expense data available to the chief appraiser to estimate the operating expenses of the property;

(3) analyze comparable data available to the chief appraiser to estimate rates of capitalization or rates of discount; and

(4) base projections of future rent or income potential and expenses on reasonably clear and appropriate evidence.

(b) In developing income and expense statements and cash-flow projections, the chief appraiser shall consider:

(1) historical information and trends;

(2) current supply and demand factors affecting those trends; and

(3) anticipated events such as competition from other similar properties under construction.

(c) If the property to be appraised is rent-restricted, the income approach is determined by the net operating income. The "net operating income" means the income from property less the expenses incurred that are specific to the property, using generally accepted accounting principles and include compliance monitoring fees and operating and replacement reserves. The property owner must make available to the chief appraiser end of the year financial statements and rent rolls for the property as requested by the chief appraiser to determine the actual net operating income.

SECTION ____B. Section 23.215, Tax Code, is amended to read

as follows:

Sec. 23.215. APPRAISAL OF CERTAIN NONEXEMPT PROPERTY USED FOR LOW-INCOME OR MODERATE-INCOME HOUSING. (a) This section applies only to real property ~~[owned by an organization]~~:

(1) that is ~~[on the effective date of this section was]~~ rented to a low-income or moderate-income individual or family satisfying the ~~[organization's]~~ income eligibility requirements of the owner of the property ~~[and that continues to be used for that purpose]~~;

(2) that was financed under the low income housing tax credit program under Subchapter DD, Chapter 2306, Government Code;

(3) that does not receive an exemption under Section 11.182 or 11.1825; and

(4) the owner of which has not entered into an agreement with any taxing unit to make payments to the taxing unit instead of taxes on the property.

(b) The chief appraiser shall appraise the in the manner provided by Section 11.1825(q).

(c) If the construction or rehabilitation of the housing project on the property has not been completed, the chief appraiser shall determine the appraised value of the property by:

(1) using the cost method of appraisal under Section 23.011, except that the chief appraiser shall consider only restrictions placed on the land for the affordability of the units constructed on the land and data pertaining to the cost of the land on which the housing project is located and may not consider data pertaining to the cost of any structure located on the land; or

(2) using the income method of appraisal as provided by Section 23.012, except that the chief appraiser shall multiply the appraised value of the property as determined under that section by the percentage of completion of the construction or rehabilitation of the structures comprising the housing project as determined by the architect or lender for the project.

(d) If the construction or rehabilitation of the housing project on the property has been completed, the chief appraiser shall determine the appraised value of the property by using the income method of appraisal as provided by Section 23.012.

(e) In determining the appraised value of property that qualifies for an exemption under this section using the income method of appraisal the chief appraiser shall:

(1) consider the restrictions on the income of the individuals or families to whom the dwelling units of the housing project may be rented and the amount of rent that may be charged for purposes of computing the net operating income from the property; and

(2) use the projected net operating income from the property for the first year of operation of the housing project as estimated by a property appraisal provided to the chief appraiser by the property owner if the property is appraised under Subsection (c)(1) or use the actual net operating income from the property if the property is appraised under Subsection (c)(2).

SECTION ____C. Section 11.1825, Tax Code, is amended by amending Subsections (q) and (r) and adding Subsections (q-1), (q-2), and (q-3) to read as follows:

(q) If property qualifies for an exemption under this section, the chief appraiser shall appraise the property in the manner provided by Subsection (q-1) or (q-2), as applicable.

(q-1) If the construction or rehabilitation of the housing project on the property has not been completed, the chief appraiser shall determine the appraised value of the property by:

(1) using the cost method of appraisal under Section 23.011, except that the chief appraiser shall consider only restrictions placed on the land for the affordability of the units constructed on the land and data pertaining to the cost of the land on which the housing project is located and may not consider data pertaining to the cost of any structure located on the land; or

(2) using ~~use~~ the income method of appraisal as provided by Section 23.012, except that the chief appraiser shall multiply the appraised value of the property as determined under that section by the percentage of completion of the construction or rehabilitation of the structures comprising the housing project as determined by the architect or lender for the project.

(q-2) If the construction or rehabilitation of the housing project on the property has been completed, the chief appraiser

shall determine the appraised value of the property by using the income method of appraisal as provided by Section 23.012.

(q-3) In determining the appraised value of property that qualifies for an exemption under this section using the income method of appraisal ~~[to determine the appraised value of the property. In appraising the property]~~, the chief appraiser shall:

(1) consider the restrictions provided by this section on the income of the individuals or families to whom the dwelling units of the housing project may be rented and the amount of rent that may be charged for purposes of computing the net operating ~~[actual rental]~~ income from the property ~~[or projecting future rental income]~~; ~~[and]~~

(2) use the projected net operating income from the property for the first year of operation of the housing project as estimated by a property appraisal provided to the chief appraiser by the property owner if the property is appraised under Subsection (q-1)(2) or use the actual net operating income from the property if the property is appraised under Subsection (q-2);

(3) use the same capitalization rate that the chief appraiser uses to appraise other rent-restricted properties; and

(4) consider expenses in the manner provided for in Section 11.182(a)(1).

(r) For purposes of this section, "net operating income" means the income from property less the expenses incurred that are specific to the property, using generally accepted accounting principles and include compliance monitoring fees and operating and replacement reserves. The property owner must make available to the chief appraiser end of the year financial statements and rent rolls for the property as requested by the chief appraiser to determine the actual net operating income . Not later than January 31 of each year, the appraisal district shall give public notice in the manner determined by the district, including posting on the district's website if applicable, of the capitalization rate to be used in that year to appraise property receiving an exemption under this section.